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INSTRUMENT PREPARED BY  
VIRGINIA GAS AND OIL BOARD

ORDER RECORDED UNDER CODE  
OF VIRGINIA SECTION 45.1-361.26

VIRGINIA:

BEFORE THE VIRGINIA GAS AND OIL BOARD

IN RE:

SUPPLEMENTAL ORDER REGARDING DOCKET NO. VGOB-07-0320-1907

ELECTIONS: CBM Unit 77-Z; Well No. Lovers Gap-37  
(hereinafter "Subject Drilling Unit")

REPORT OF BOARD

FINDINGS AND ORDER

1. This Supplemental Order is entered by the Board *sua sponte* in the form authorized by the Board at its hearing held at 9:00 a.m. on October 20, 1992, Board of Supervisors Room, Courthouse, Grundy, Virginia, and pursuant to authority granted to the Board's Chairman at the hearing of the Virginia Gas and Oil Board on June 16, 1992 at 9:00 a.m. at the Rhododendron Restaurant at the Breaks Interstate Park, Breaks, Virginia; and this Supplemental Order is being recorded for the purpose of (1) complying with the requirements of the Virginia Gas and Oil Board Regulations, 4 VAC 25-160.70C by supplementing the Order previously issued by the Board for subject Docket on April 17, 2007, and recorded at Land Record Instrument No. 070002318 in the Office of the Clerk of the Circuit Court, Buchanan County, Virginia on June 21, 2007, (herein "Board Order") and (2) to complete the record regarding elections. The Board Order pooled all interests in Subject Drilling Unit including those of the Respondents more particularly set forth and identified by the Designated Operator in the affidavits attached hereto and made a part hereof. The Board finds it has jurisdiction over the subject matter pursuant to the provisions of the Virginia Gas and Oil Act, § 45.1-361.1 *et seq.*, Virginia Code, 1950 as amended.
2. Findings: The Board finds that:
  - (a) The Board Order directed Pine Mountain Oil and Gas, Inc., (herein the "Designated Operator"), to mail copies of the Board Order to all Respondents whose interests, if any, were pooled by said Board Order;

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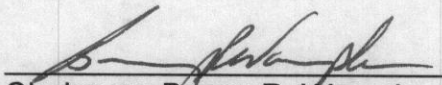
- (b) The Designated Operator filed its affidavit of mailing dated July 27, 2007, disclosing that it had mailed a correct copy of the Board's Order to all Respondents whose interests, if any, were pooled by said Board Order;
  - (c) The Board Order required each Respondent whose interests, if any, were pooled by the terms of said Board Order to make his or her election within thirty (30) days after the date of mailing or recording, as applicable, of said Order; the Designated Operator has filed its affidavit dated November 12, 2007, in accordance with § 7.C of the Virginia Gas and Oil Board Regulations and 4 VAC 25-160.7C (herein "Affidavit of Elections" annexed hereto), wherein it has, for each Respondent whose interests, if any, were pooled by said Board Order, stated: (i) whether each Respondent has made or failed to make a timely election; (ii) the nature of the election(s) made, if any; and (iii) whether, by reason of failure to elect or to timely elect one or more Respondents are deemed, under the terms of the Board's Order, to have leased all their rights, title, interests, estates and claims in Subject Drilling Unit to the Designated Operator;
  - (d) Current Board standards requiring the escrow of funds and the Board's agreement with its Escrow Agent, Wachovia Bank, N.A., VA7515, P. O. Box 14061, Roanoke, VA 24038; Tel: (540) 563-7764; Attn: Judy Barger, or any successor named by the Board, require the entry of a Supplemental Order establishing of record the elections made or deemed to have been made and specifying the sums or percentage thereof subject to escrow. Current Board escrow standards were made applicable to Subject Drilling Unit by a Board Order dated April 17, 2007. The Affidavit of Elections indicates that the escrow of funds is **no** longer required with regard to CBM Unit 77-Z.
3. Order: By this Order, the Board orders the Designated Operator to tender, consistent with and in accordance with the findings set forth at Paragraph 2 above, to the extent escrow was required and to the extent it pertained to the elections and interests of the Respondents who have entered into a royalty split agreement and no longer require escrow of any funds, the Applicant is hereby directed to provide the Board with reconciliation of its and the Escrow Agent's records so that any funds affected by this Order may be disbursed in an appropriate manner.
4. Mailing of Order and Filing of Affidavit: The Designated Operator under the captioned Order or its Attorney shall file an affidavit with the Secretary of the Board within ten (10) days after the date of receipt of this



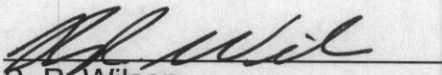
Supplemental Order stating that a true and correct copy of this Supplemental Order was mailed within seven (7) days from the date of receipt of this Supplemental Order to each Respondent whose address is known.

5. Conclusion: Therefore, the findings and all terms and provisions set forth above be and hereby are granted and **IT IS SO ORDERED**.
6. Effective Date: This Order shall be effective as of the date of the Board's approval of this Application, which is set forth at Paragraph 1 above.

DONE AND EXECUTED this 5<sup>th</sup> day of December, 2007,  
by a majority of the Virginia Gas and Oil Board.

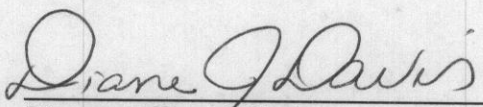
  
Chairman, Benny R. Wampler

DONE AND PERFORMED this 5<sup>th</sup> day of December, 2007,  
by the Order of this Board.

  
B. R. Wilson  
Principal Executive to the Staff  
Virginia Gas and Oil Board

STATE OF VIRGINIA           )  
COUNTY OF WASHINGTON   )

Acknowledged on this 5<sup>th</sup> day of December, 2007,  
personally before me a notary public in and for the Commonwealth of Virginia,  
appeared Benny R. Wampler, being duly sworn did depose and say that he is  
Chairman of the Virginia Gas and Oil Board, and appeared B. R. Wilson, being  
duly sworn did depose and say that he is Principal Executive to the Staff of the  
Virginia Gas and Oil Board, that they executed the same and were authorized to  
do so.

  
Diane J. Davis, Notary  
174394

My commission expires: September 30, 2009



**VIRGINIA:**

**BEFORE THE VIRGINIA GAS AND OIL BOARD**

IN RE: Application of Pine Mountain Oil and Gas, Inc., for Forced Pooling of Interests in CBM Unit Number 77-Z, Well No. Lovers Gap-37, Docket No. VGOB-07-0320-1907 in the Prater District, Prater Quadrangle, Buchanan County, Virginia.

AFFIDAVIT OF MCKINNIS & SCOTT, Attorneys-at-Law, Agents for the Designated Operator REGARDING ELECTIONS, ESCROW ACCOUNTS AND SUPPLEMENTAL ORDER

Timothy E. Scott (herein Affiant), being duly sworn on oath, deposes and says:

1. That the Affiant is an attorney in the law firm of MCKINNIS & SCOTT, the Agent for the Designated Operator, with offices located at 135 W. Main Street, Suite 200, Kingsport, Tennessee 37660, and is authorized to give this Affidavit in its behalf;
2. That the Order entered on April 17, 2007, by the Virginia Gas and Oil Board regarding the captioned Coalbed Methane Gas Unit required the Applicant to mail a true and correct copy of said Order to each person pooled by said Order;
3. That within seven (7) days of the receipt of an executed and recorded copy of the Order referred to at Paragraph 2, above, the Affiant was directed to cause a true and correct copy of said Order to be mailed via the United States Postal Service to each Respondent named in the captioned Application, whose address was known, and to all persons, if any, who are added as Respondents at the hearing held in the captioned matter; that proof of such mailing has previously been tendered to the Division of Gas and Oil, the Office of the Gas and Oil Inspector, at Abingdon, Virginia;
4. That the Order of the Virginia Gas and Oil Board in the captioned matter required all persons pooled thereby to tender written notice of their election of the option selected under Paragraph 9 of the Order to the Designated Operator within thirty (30) days from the date of receipt of a copy of the recorded Order;
5. That the Designated Operator, by and through its agent, McKinnis & Scott, Attorneys-at-Law, has established procedures to review all mail received and all written documents received by means other than by mail to ascertain whether parties whose interests have been pooled have made a written election, in a timely fashion, as required by the captioned Order;

that said procedures were followed to identify the elections, if any, made with regard to Subject Drilling Unit; that the following persons or entities delivered, by mail or otherwise, written elections to the Unit Operator, within the thirty day elections period:

NONE

6. That the interest and/or claims of the following persons or entities (who made timely elections, or who are deemed under the terms of the Board's Order to have leased, or who, subsequent to the pooling hearing held in the captioned matter, have leased or otherwise entered into an agreement with the Designated Operator) are subject to escrow under the Board's Order pooling the captioned Unit, as unknown or unlocatable:

NONE

7. That after the pooling hearing held in the captioned matter, the following persons or entities have leased or entered into a voluntary agreement with the Designated Operator with regard to their interest and/or claims:

NONE

8. That the Designated Operator with regard to persons previously requiring the services of the Escrow Agent have now reached an agreement regarding their interests or claims that allows Applicant/Designated Operator to make royalty distribution without the need to escrow funds which would otherwise be in conflict:

See attached Exhibit EE

9. That the Respondents identified in Exhibit B-3 hereto have not made a timely election and have failed to enter into an agreement with the Designated Operator and their respective coalbed methane rights, interests and claims shall be deemed to have leased to Applicant/Designated Operator pursuant to and in accordance with Paragraph 10 of the Board Order dated April 17, 2007:

See Exhibit B-3

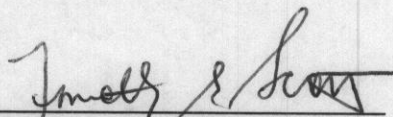
10. The Designated Operator requests that the following persons be dismissed as Respondents:

NONE

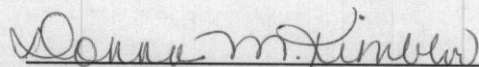


That pursuant to the provisions of 4VAC 25-160.70.A.10 and .C and VAC 25-160-80, annexed hereto and incorporated herein is a proposed supplemental order to be entered to complete the record regarding elections; that said annexed supplemental order sets forth that the services of the Escrow Agent are **not** required in this matter pursuant to the terms of §§ 45.1-361.21.D and 45.1-361.22.A.3 and .4.

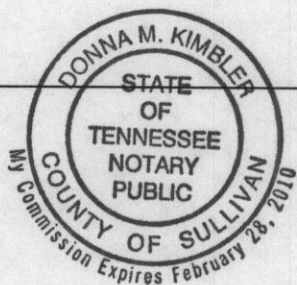
Dated at Kingsport, Tennessee, this 12<sup>th</sup> day of November, 2007.

  
Timothy E. Scott, Affiant

Taken, subscribed and sworn to before me by Timothy E. Scott, The Agent for Pine Mountain Oil and Gas, Inc., a corporation, on behalf of the corporation, this 12<sup>th</sup> day of November, 2007.

  
Notary Public

My commission expires: \_\_\_\_\_



**EXHIBIT B-3**  
**PARTIES WHO HAVE NOT REACHED A VOLUNTARY AGREEMENT**  
**WITH OPERATOR**  
**LOVERS GAP-37-CBM UNIT 77-Z**  
**DOCKET NO. VGOB-07-0320-1907**

<u>TRACT</u>	<u>LESSOR</u>	<u>LEASE STATUS</u>	<u>INTEREST WITHIN UNIT</u>	<u>GROSS ACREAGE IN UNIT</u>
<u>Gas Estate Only</u>				
2	Gordon Deel Route 1, Box 561 Vansant, VA 24656	Unleased	3.88000000%	2.28000000
7	Trudy Stanley 4491 Woodhaven Drive Morristown, TN 37813	Unleased	10.21000000%	6.00000000
10	Donna Jean Bailey 1139 Little Creek Road Pikeville, KY 41501	Unleased	12.15000000%	7.14000000
11	Donna Jean Bailey 1139 Little Creek Road Pikeville, KY 41501	Unleased	0.09000000%	0.05000000
12	Leo Bailey Route 1, Box 570 C Vansant, VA 24656	Unleased	15.57000000%	9.15000000
13	Leo Bailey Route 1, Box 570 C Vansant, VA 24656	Unleased	0.10666667%	0.06222222
	Arnold Bailey Route 1, Box 512 Vansant, VA 24656	Unleased	0.10666667%	0.06222222
	Connie Lou McClanahan Route 1, Box 161 B Grundy, VA 24614	Unleased	0.10666667%	0.06222222
	Donna Jean Bailey 1139 Little Creek Road Pikeville, KY 41501	Unleased	0.10666667%	0.06222222
	Everett Bailey P. O. Box 118 Vansant, VA 24656	Unleased	0.10666667%	0.06222222



**EXHIBIT B-3**  
**PARTIES WHO HAVE NOT REACHED A VOLUNTARY AGREEMENT**  
**WITH OPERATOR**  
**LOVERS GAP-37-CBM UNIT 77-Z**  
**DOCKET NO. VGOB-07-0320-1907**

<u>TRACT</u>	<u>LESSOR</u>	<u>LEASE STATUS</u>	<u>INTEREST WITHIN UNIT</u>	<u>GROSS ACREAGE IN UNIT</u>
	Johnny Bailey Route 1, Box 570 B Vansant, VA 24656	Unleased	0.10666667%	0.06222222
	Mable Bailey Gibbs Route 1, Box 528 Grundy, VA 24614	Unleased	0.10666667%	0.06222222
	Pansy Bailey Hawkins 293 Gray Station Road Gray, TN 37615	Unleased	0.10666667%	0.06222223
	Pearley Marie Bailey Federal Medical Center Satellite Camp P. O. Box 14525 Lexington, KY 40512	Unleased	0.10666667%	0.06222223
	<b>TOTAL GAS ESTATE</b>		42.86000000%	25.18000000

**EXHIBIT E**  
**REVISED 11-12-2007**  
**LIST OF CONFLICTING OWNERS/CLAIMANTS THAT REQUIRE ESCROW**  
**LOVERS GAP-37-CBM UNIT 77-Z**  
**DOCKET NO. VGOB-07-0320-1907**

<u>TRACT</u>	<u>LESSOR</u>	<u>LEASE STATUS</u>	<u>INTEREST WITHIN UNIT</u>	<u>GROSS ACREAGE IN UNIT</u>
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NONE



**EXHIBIT EE**  
**LIST OF CONFLICTING OWNERS/CLAIMANTS WITH ROYALTY SPLIT AGREEMENTS**  
**LOVERS GAP-37-CBM UNIT 77-Z**  
**DOCKET NO. VGOB-07-0320-1907**

Tract	Lessor	Interest Within Unit	Gross Acreage in Unit
	<b>Gas Estate Only</b>		
1	Ricky Deel Route 1, Box 563 A Vansant, VA 24656	7.60000000	4.47000000
2	Gordon Deel Route 1, Box 561 Vansant, VA 24656	3.88000000	2.28000000
3	Devey Gordon Owens PO Box 675 Vansant, VA 24656	1.43000000	0.84000000
4	Franklin D. Elswick 21744 Spoon Gap Road Abingdon, VA 24211	15.11000000	8.88000000
7	Trudy Stanley 4491 Woodhaven Drive Morristown, TN 37813	10.21000000	6.00000000
8	Margie Yates 26820 Eunice Avenue Defiance, OH 43512	1.90000000	1.12000000
9	Corene Wagner Route 1, Box 574 A Vansant, VA 24656	2.40000000	1.41000000
10	Donna Jean Bailey 1139 Little Creek Road Pikeville, KY 41501	12.15000000	7.14000000
11	Donna Jean Bailey 1139 Little Creek Road Pikeville, KY 41501	0.09000000	0.05000000
12	Leo Bailey Route 1, Box 570 C Vansant, VA 24656	15.57000000	9.15000000

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**EXHIBIT EE**  
**LIST OF CONFLICTING OWNERS/CLAIMANTS WITH ROYALTY SPLIT AGREEMENTS**  
**LOVERS GAP-37-CBM UNIT 77-Z**  
**DOCKET NO. VGOB-07-0320-1907**

13	Leo Bailey Route 1, Box 570 C Vasant, VA 24656	0.10666667	0.06222222
	Arnold Bailey Route 1, Box 512 Vasant, VA 24656	0.10666667	0.06222222
	Connie Lou McClanahan Route 1, Box 161 B Grundy, VA 24614	0.10666667	0.06222222
	Donna Jean Bailey 1139 Little Creek Road Pikeville, KY 41501	0.10666667	0.06222222
	Everett Bailey PO Box 118 Vasant, VA 24656	0.10666667	0.06222222
	Johnny Bailey Route 1, Box 570 B Vasant, VA 24656	0.10666667	0.06222222
	Mable Bailey Gibbs Route 1, Box 528 Grundy, VA 24614	0.10666667	0.06222222
	Pansy Bailey Hawkins 293 Gray Station Road Gray, TN 37615	0.10666667	0.06222222
	Pearley Marie Bailey Federal Medical Center Sattelite Camp PO Box 14525 Lexington, KY 40512	0.10666667	0.06222222
	<b>Total Gas Estate</b>	<b>71.30000000</b>	<b>41.90000000</b>



**EXHIBIT EE**  
**LIST OF CONFLICTING OWNERS/CLAIMANTS WITH ROYALTY SPLIT AGREEMENTS**  
**LOVERS GAP-37-CBM UNIT 77-Z**  
**DOCKET NO. VGOB-07-0320-1907**

Tract	Lessor	Interest Within Unit	Gross Acreage in Unit
<b>CBM Estate Only</b>			
1	Pine Mountain Oil & Gas, Inc. Attn: Jerry Grantham PO Box 2136 Abingdon, VA 24212	7.60000000	4.47000000
2	Pine Mountain Oil & Gas, Inc. Attn: Jerry Grantham PO Box 2136 Abingdon, VA 24212	3.88000000	2.28000000
3	Pine Mountain Oil & Gas, Inc. Attn: Jerry Grantham PO Box 2136 Abingdon, VA 24212	1.43000000	0.84000000
4	Pine Mountain Oil & Gas, Inc. Attn: Jerry Grantham PO Box 2136 Abingdon, VA 24212	15.11000000	8.88000000
7	Pine Mountain Oil & Gas, Inc. Attn: Jerry Grantham PO Box 2136 Abingdon, VA 24212	10.21000000	6.00000000
8	Pine Mountain Oil & Gas, Inc. Attn: Jerry Grantham PO Box 2136 Abingdon, VA 24212	1.90000000	1.12000000
9	Pine Mountain Oil & Gas, Inc. Attn: Jerry Grantham PO Box 2136 Abingdon, VA 24212	2.40000000	1.41000000
10	Pine Mountain Oil & Gas, Inc. Attn: Jerry Grantham PO Box 2136 Abingdon, VA 24212	12.15000000	7.14000000

0013

**EXHIBIT EE**  
**LIST OF CONFLICTING OWNERS/CLAIMANTS WITH ROYALTY SPLIT AGREEMENTS**  
**LOVERS GAP-37-CBM UNIT 77-Z**  
**DOCKET NO. VGOB-07-0320-1907**

11	Pine Mountain Oil & Gas, Inc. Attn: Jerry Grantham PO Box 2136 Abingdon, VA 24212	0.09000000	0.05000000
12	Pine Mountain Oil & Gas, Inc. Attn: Jerry Grantham PO Box 2136 Abingdon, VA 24212	15.57000000	9.15000000
13	Pine Mountain Oil & Gas, Inc. Attn: Jerry Grantham PO Box 2136 Abingdon, VA 24212	0.96000000	0.56000000
	<b>Total Gas Estate</b>	<b>71.30000000</b>	<b>41.90000000</b>

VIRGINIA: In the Clerk's Office of the Circuit Court of Buchanan County. The foregoing instrument was this day presented in the office aforesaid and is, together with the certificate of acknowledgement annexed, admitted to record this 12<sup>th</sup> day of December, 20 07 at 12:34 PM Instrument No. 070004648 TESTE: Beverly S. Tiller, Clerk  
 Returned to: DmmE TESTE: Beverly S. Tiller ~~Deputy~~ Clerk



Talked  
to Joe H's office  
They messed

5/30/04

up supplemental - had  
scheduling revised - time  
some persons make  
elections -

revised  
supplemental

fix w/